UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

CASE NO. 04 B 10845 (RDD)

CHAPTER 11

Debtor
ELITE MODEL MANAGEMENT CORPORATION

MONTHLY OPERATING STATEMENT FOR
THE MONTH ENDED JULY 31, 2004

DEBTOR'S ADDRESS:
111 EAST 22nd STREET
NEW YORK, NY 10010

MONTHLY DISBURSEMENTS: $3,151,640

DEBTOR'S ATTORNEY:
KRAMER, LEVIN, NAFTALIS & FRANKEL, LLP

MONTHLY OPERATING PROFIT (LOSS): $(392,358)

REPORT PREPARER:
TANTON AND COMPANY, LLP

THIS OPERATING STATEMENT MUST BE SIGNED BY A REPRESENTATIVE OF THE DEBTOR

The undersigned, having reviewed the attached report and being familiar with the Debtor's financial affairs, verifies under the penalty of perjury, that the information contained therein is complete, accurate and truthful to the best of my knowledge.

DATE: August 12, 2004

SIGNATURE & TITLE

Indicate if this is an amended statement by checking here

AMENDED STATEMENT ___

ELITE MODEL MANAGEMENT CORPORATION
(DEBTOR-IN-POSSESSION)

FINANCIAL STATEMENTS
(WITH ACCOUNTANTS' REVIEW REPORT)

AS OF AND FOR THE MONTH ENDED JULY 31, 2004 AND FOR THE PERIOD FROM FEBRUARY 12, 2004 TO JULY 31, 2004

ELITE MODEL MANAGEMENT CORPORATION
(DEBTOR-IN-POSSESSION)

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ACCOUNTANTS' REVIEW REPORT

To the Stockholders and Board of Directors
Elite Model Management Corporation

We have reviewed the accompanying balance sheet of Elite Model Management Corporation (Debtor-In-Possession) as of July 31, 2004, and the related statements of operations and accumulated deficit and of cash flows for the month then ended and for the period from February 12, 2004 to July 31, 2004, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Elite Model Management Corporation.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, with the exception of the matter described in the following paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 2 to the financial statements, generally accepted accounting principles require consolidation of wholly and majority owned subsidiaries and recognition of equity in earnings of minority owned subsidiaries. The company has not consolidated its wholly and majority owned subsidiaries or recognized an equity in earnings of minority owned subsidiaries in the accompanying financial statements, and the effects of these departures from generally accepted accounting principles have not been determined.

As disclosed in Note 1 to the financial statements, the company filed a voluntary petition with the Bankruptcy Court commencing a case under Chapter 11 of the Bankruptcy Code on February 11, 2004. The accompanying financial statements do not purport to reflect or provide for the consequences of the bankruptcy proceedings. In particular, such financial statements do not purport to show (a) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (b) as to pre-petition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof; (c) as to stockholder

accounts, the effect of any changes that may be made in the capitalization of the company; or (d) as to operations, the effect of any changes that may be made in its business.

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. As discussed in Note 1, as a result of the bankruptcy filing, realization of assets and satisfaction of liabilities, without substantial adjustments and/or changes in ownership, are subject to uncertainty and raise substantial doubt about the company's ability to continue as a going concern. The financial statements do not include adjustments that might result from the outcome of this uncertainty.

Tanton and Company LLP

Certified Public Accountants

August 9, 2004

ELITE MODEL MANAGEMENT CORPORATION
(DEBTOR-IN-POSSESSION)

BALANCE SHEET

JULY 31, 2004

ASSETS

CURRENT ASSETS		
Cash	$	464,947
Accounts receivable		3,196,864
Prepaid expenses		147,479
Due from models, less allowance for doubtful accounts of $206,300		100,505
Due from others		68,658
Due from group companies		6,618
Due from wholly owned subsidiaries		873,590
TOTAL CURRENT ASSETS		4,858,661
PROPERTY, PLANT AND EQUIPMENT, NET		139,941
OTHER ASSETS		
Investments in wholly owned subsidiaries		151,000
Investments in minority owned subsidiaries		203,914
Security deposits		26,765
Other		5,000
TOTAL OTHER ASSETS		386,679
TOTAL ASSETS	$	5,385,281

See accompanying notes and accountants' review report

ELITE MODEL MANAGEMENT CORPORATION
(DEBTOR-IN-POSSESSION)

BALANCE SHEET

JULY 31, 2004

LIABILITIES AND STOCKHOLDERS' DEFICIT

LIABILITIES NOT SUBJECT TO COMPROMISE	
Current Liabilities:	
DIP financing	$ 1,400,000
Accounts payable and accrued expenses	1,167,962
Due to models	1,764,051
Due to parent	18,539
TOTAL CURRENT LIABILITIES	4,350,552
LIABILITIES SUBJECT TO COMPROMISE	6,635,318
TOTAL LIABILITIES	10,985,870
STOCKHOLDERS' DEFICIT	
Common stock, $100 par value, 10,000 shares authorized, 2,000 shares issued and outstanding	200,000
Additional paid in capital	800,000
Accumulated deficit	(6,600,589)
TOTAL STOCKHOLDERS' DEFICIT	(5,600,589)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 5,385,281

See accompanying notes and accountants' review report

ELITE MODEL MANAGEMENT CORPORATION
(DEBTOR-IN-POSSESSION)
STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

	Month Ended July 31, 2004	Period from February 12, 2004 to July 31, 2004
NET REVENUES	$ 408,674	$ 2,296,412
OPERATING EXPENSES:		
Cost of operations	116,407	241,631
General and administrative	357,998	1,998,547
Depreciation and amortization	7,978	51,401
TOTAL OPERATING EXPENSES	482,383	2,291,579
(LOSS) INCOME BEFORE OTHER EXPENSES, REORGANIZATION ITEMS AND TAX BENEFIT	(73,709)	4,833
OTHER INCOME (EXPENSES)		
Dividend income	43	83
Interest expense (contractual interest $40,086 and $219,937 for the month ended July 31, 2004 and for the period from February 12, 2004 to July 31, 2004, respectively)	(6,032)	(28,147)
LOSS BEFORE REORGANIZATION ITEMS AND TAX EXPENSE	(79,698)	(23,231)
REORGANIZATION ITEMS:		
DIP commitment fee	75,000	115,000
Insurance	-	50,000
Professional and UST fees	237,660	1,848,227
TOTAL REORGANIZATION ITEMS	312,660	2,013,227
LOSS BEFORE TAX EXPENSE	(392,358)	(2,036,458)
TAX EXPENSE	-	(455)
NET LOSS	(392,358)	(2,036,913)
ACCUMULATED DEFICIT, BEGINNING OF PERIOD	(6,208,231)	(4,563,676)
ACCUMULATED DEFICIT, END OF PERIOD	$ (6,600,589)	$ (6,600,589)

See accompanying notes and accountants' review report

ELITE MODEL MANAGEMENT CORPORATION
(DEBTOR-IN-POSSESSION)
STATEMENTS OF CASH FLOWS

	Month Ended July 31, 2004	Period from February 12, 2004 to July 31, 2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss) before reorganization items:	$ (79,698)	$ (23,686)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,978	51,401
Models' write-off	100,162	152,138
Client bad debt (recoveries)	17,201	26,038
Changes in operating assets and liabilities:		
Accounts receivable	(110,392)	(542,356)
Prepaid expenses	2,657	97,287
Due from/to models	(266,617)	290,128
Due from wholly owned subsidiaries	40,509	78,500
Security deposits	-	(1,096)
Accounts payable and accrued expenses	44,665	(1,040,793)
Due from others	2,655	(1,843)
Due from group companies	1,984	(6,575)
Due to parent	300	18,539
Due to others	-	(120,831)
Due to group companies	-	(75,386)
Due to nongroup companies	-	(2,412)
Reserve for litigation	-	(4,757,904)
Liabilities subject to compromise	(36,468)	5,876,217
	(275,064)	17,366
Cash flows used in reorganization items:		
Reorganization items	(312,660)	(2,013,227)
Increase (decrease) in liabilities	(196,726)	841,919
	(509,386)	(1,171,308)
NET CASH USED IN OPERATING ACTIVITIES	(784,450)	(1,153,942)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(11,563)	(21,428)
NET CASH USED IN INVESTING ACTIVITIES	(11,563)	(21,428)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from DIP financing	1,400,000	2,200,000
Payments on DIP financing	(800,000)	(800,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	600,000	1,400,000
NET (DECREASE) INCREASE IN CASH	(196,013)	224,630
CASH, BEGINNING OF PERIOD	660,960	240,317
CASH, END OF PERIOD	$ 464,947	$ 464,947
Supplemental disclosure of cash flows information:		
Interest paid	$ 11,718	$ 28,147
Income taxes paid	$ -	$ 455

See accompanying notes and accountants' review report

ELITE MODEL MANAGEMENT CORPORATION
(DEBTOR-IN-POSSESSION)
NOTES TO FINANCIAL STATEMENTS
(SEE ACCOUNTANTS' REVIEW REPORT)

NOTE 1 - Petition for Relief Under Chapter 11

Bankruptcy Proceedings

On February 11, 2004, Elite Model Management Corporation (the "Company", the "Debtor" or "Elite New York") filed petitions for relief under Chapter 11 of the federal bankruptcy laws in the United States Bankruptcy Court for the Southern District of New York. Under Chapter 11, certain claims against the Debtor in existence prior to the filing of the petitions for relief under the federal bankruptcy laws are stayed while the Debtor continues business operations as Debtor-In-Possession. These claims are reflected in the July 31, 2004, balance sheet as "Liabilities Subject To Compromise" (see Note 6). Additional claims (liabilities subject to compromise) may arise subsequent to the filing date resulting from, among other things, rejection of executory contracts, including leases, and from the determination by the court (or agreed to by parties in interest) of allowed claims for contingencies and other disputed amounts.

The Debtor received approval from the Bankruptcy Court to pay or otherwise honor certain of its pre-petition obligations, including employee wages and the related employee benefits and its independent contractor models.

The Company continues to operate its businesses as "debtor-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and applicable court orders. In general, as debtor-in-possession, the Company is authorized under Chapter 11 to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

Financial Statement Presentation

The Company has prepared the accompanying financial statements in accordance with American Institute of Certified Public Accountants' Statement of Position 90-7 ("SOP 90-7"), "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code", and on a going-concern basis, which assumes continuity of operations, realization of assets and satisfaction of liabilities in the ordinary course of business.

SOP 90-7 requires that the financial statements for periods subsequent to a Chapter 11 filing separate transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, all transactions (including, but not limited to all professional fees, commitment fee, realized gains and losses and provisions for losses) directly associated with the reorganization and restructuring of the business are reported separately in the financial statements.

ELITE MODEL MANAGEMENT CORPORATION
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The balance sheet distinguishes pre-petition liabilities subject to compromise from both those pre-petition liabilities that are not subject to compromise and from post-petition liabilities.

In addition, as a result of Chapter 11 filing, the realization of assets and satisfaction of liabilities, without substantial adjustments and/or changes in ownership, are subject to uncertainty. While operating as debtors-in-possession under the protection of Chapter 11 and subject to approval of the Bankruptcy Court and the terms of the applicable DIP Financing covenants, or otherwise as permitted in the ordinary course of business, the Company may sell or otherwise dispose of assets and liquidate or settle liabilities for some amounts other than those reflected in the financial statements. Further, the forthcoming plan of reorganization could materially change the amounts and classifications in the historical financial statements.

DIP Financing

In February 2004, the Company entered into a Debtor-In-Possession credit agreement (the "Old DIP Financing") for a term loan up to $1,500,000 with Careyes Funding Group, LLC. As of July 31, 2004, the Company used the New DIP Financing, as defined below, to pay off the borrowing of $800,000 and any associated commitment fees and obligations.

On July 9, 2004, the Company entered into an asset purchase agreement (the "Purchase Agreement") with a potential buyer (the "Purchaser") who desires to purchase from the Company all of the Company's assets related to the Company's business. Concurrently with the execution of the Purchase Agreement, the Purchaser made a good faith deposit of $2,000,000 (the "Deposit") in an interest-bearing account in accordance with the terms of the agreement. Upon entry of the bidding procedures approved by the bankruptcy court, the Purchaser executed a new debtor-in-possession loan agreement (the "New DIP Financing") under which the Company can convert any portions of the Deposit into borrowings. As of July 31, 2003, the Company converted $1,400,000 from Deposit into borrowing, with an interest rate of LIBOR (approximately 1.1% as of July 31, 2004) plus 8%. The maturity date of New DIP Financing is the earlier of November 1, 2004 or the Asset Purchase Consummation Date, as defined in the Purchase Agreement.

In the event that the Company consummates a Competing Transaction, as defined in the Purchase Agreement, the Purchaser shall be entitled to a break-up fee which is equal to 3% of the purchase price, and the expense reimbursement, provided that the Purchaser has complied with all of the terms and conditions as defined in the Purchase Agreement.

The New DIP Financing is guaranteed by Elite Model Management Miami Corporation ("Elite Miami") and Elite Model Management Corporation (Los Angeles) ("Elite LA"), and

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if required, 1 Model Management, LLC ("1 MM"). Additionally, the New DIP Financing is secured by valid, binding and enforceable security interests in and liens upon all of the Company's property, and shall at all times constitute allowed administrative expenses claims in the bankruptcy case having priority over all administrative expenses of the kind, subject only to the Carve-Out, as defined in the agreement.

The terms of the New DIP Financing include covenants that require the Company to satisfy ongoing weekly and monthly financial requirements and covenants that limit, among other things, the Company's ability to borrow additional money, sell or disposal of any assets, and make additional corporate investments.

NOTE 2- Description of Business and Summary of Significant Accounting Policies

Operations
The Company is majority-owned by Elite Model Management S.A. (the "Parent"). During December 2001, Elite Model Management Holding Corporation ("Elite Holding") was dissolved and its ownership in the Company was transferred to the Parent through a stock swap.

The Company owns a 100% interest of Elite LA and Elite Miami. Additionally, the Company owns a 60% interest of 1 MM. Elite New York, Elite LA, Elite Miami, and 1 MM each act as booking managers for professional models in the New York, Los Angeles, and Miami areas, respectively, and on behalf of various Elite companies throughout the world. As managers, it is the Company's and its subsidiaries' responsibility to manage, promote and negotiate on behalf of the models in all areas and modes of professional modeling.

Departure From Generally Accepted Accounting Principles
The accompanying financial statements have been prepared for Elite New York stand alone only without consolidating its wholly and majority owned subsidiaries. Further, equity in earnings of minority owned subsidiaries was also excluded in the financial statements. Accounting principles generally accepted in the United States of America require consolidation of its wholly and majority owned subsidiaries and recognition of equity in earnings of minority owned subsidiaries in the Company's financial statements. The Management of the Company has elected not to consolidate Elite LA, Elite Miami and 1 MM, and not to record equity in earnings of Elite Illinois and its subsidiary and Elite Toronto (see below), and the effect of these departures from generally accepted accounting principles have not been determined.

ELITE MODEL MANAGEMENT CORPORATION
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(SEE ACCOUNTANTS' REVIEW REPORT)

Investments in Minority Owned Subsidiaries

The Company owns a 50% of Elite Model Management Corporation (Illinois) and its subsidiaries (collectively, "Elite Illinois") and also owns a 50% of Elite Model Management (Toronto) Inc. ("Elite Toronto"). In accordance with the management agreements, the Company's proportionate share of earnings and losses from these investments is 40%.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to the reserve for due from models, the recoverability of long-lives assets and the valuation allowance on deferred tax assets. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Revenue Recognition

The Company recognizes revenue on the date the model services are performed.

Allowance for Doubtful Accounts

The Company charges models with a substantial portion of uncollectible accounts receivable. These amounts, in addition to advances to models, are included in due from models. A provision for model bad debts is provided for when amounts are deemed unrecoverable from the model. Certain amounts that are not charged back to the model and are deemed uncollectible from the customer are written-off during the period.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed based on the estimated useful lives of the assets, ranging from 3 to 7 years. The straight-line method of depreciation was adopted for all property and equipment placed into service beginning January 1, 2001. For property and equipment placed into service prior to January 1, 2001, depreciation is provided using accelerated methods. Management adopted the straight-line method to conform with the Parent's accounting policy. The costs of leasehold improvements are amortized on the straight-line basis over the shorter of the estimated useful life of the asset or term of the lease.

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Upon retirement or other disposition of depreciable assets, the cost and related accumulated depreciation are eliminated from the accounts, and any gain and loss on disposal is credited to or charged against operations. The Company writes off fully depreciated assets.

Long-lived Assets
When indicators of impairment are present, the Company evaluates the carrying value of long-lived assets in relation to expected future undiscounted cash flows and will reduce the net book value to the fair value of the related assets, if appropriate. Impairment losses on long-lived assets are recognized when expected future cash flows are less than the asset's carrying value. There was no impairment as of July 31, 2004.

Group Companies
Group Companies consist of certain various worldwide Elite Entities, which have common ownership on the worldwide level and are included in the worldwide consolidation. The Company is included in the Elite Group Companies.

Income Taxes
The Company accounts for income taxes using an asset and liability approach. Deferred income taxes are provided for differences between the financial statement carrying amounts and tax bases of assets and liabilities at enacted tax rates in effect for the period in which the differences are expected to reverse. The Company evaluates the recoverability of deferred tax assets and establishes a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

As of July 31, 2004 the Company has provided a valuation allowance for the full amount of its deferred tax assets because of the substantial uncertainties associated with the Company's ability to realize a deferred tax benefit due to its financial condition.

Promotion and Advertising Costs
All costs related to the promotion and advertising of the Company's services are expensed in the period incurred. Total promotion and advertising expense for the month ended July 31, 2004 and for the period from February 12, 2004 to July 31, 2004 was $356 and $26,161, respectively, and was included in cost of operations.

Concentration of Credit Risk
The Company maintains cash deposits with major banks, which from time to time may exceed federally insured limits. The Company believes it mitigates its risks by investing in or through major financial institutions. Recoverability is dependent on the performance of the institution.

ELITE MODEL MANAGEMENT CORPORATION
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Receivables arise from numerous customers in the advertising and fashion industries. Exposure to credit risk is limited by the large number of customers comprising the Company's customer base. The Company performs ongoing credit evaluations of its customers' financial condition to further limit its risk. For the month ended July 31, 2004, there was one customer who comprised approximately 17.8% of revenue; and for the period from February 12, 2004 to July 31, 2004, there was another customer who comprised approximately 11.6% of revenues.

NOTE 3- Comprehensive Income/Loss

Statement of Financial Accounting Standards No. 130 ("SFAS No. 130") establishes the standards for reporting and display of comprehensive income (loss) and its components in the financial statements. Comprehensive income is defined to include all changes in stockholders' equity except those resulting from investments from stockholders and distributions to stockholders. For the month ended July 31, 2004 and for the period from February 12, 2004 to July 31, 2004, there was no material other comprehensive income/loss. Accordingly, comprehensive loss approximates the net loss.

NOTE 4- Property and Equipment

Property and equipment as of July 31, 2004 consist of the following:

Furniture and Equipment	$ 701,168
Less: accumulated depreciation and amortization	561,227
Property and equipment, net	$ 139,941

Depreciation expense for the month ended July 31, 2004 and for the period from February 12, 2004 to July 31, 2004 was $7,978 and $51,401, respectively.

NOTE 5- Reserve For Litigation

On May 14, 2003, a jury in the New York State Supreme Court case of Victoria Gallegos v. Elite Model Management Corporation et al. rendered a verdict in the aggregate amount of

ELITE MODEL MANAGEMENT CORPORATION
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$5,273,590, of which $2,673,590 was for compensatory damages jointly and severally against all defendants and $2,600,000 was for punitive damages against the Company alone. On January 8, 2004, this verdict was reduced to a new judgment, accepted by the plaintiff, of a total $4,651,822, of which $1,886,419 was for compensatory damages and $2,765,403 was for punitive damages, including a total interest charge of $278,232 calculated from April 25, 2003 to January 8, 2004. The interest rate of 9% will apply to the judgment until the date the judgment is satisfied. The post-petition interest may not be allowable in the bankruptcy court against Elite New York. As of July 31, 2004, the reserve for the litigation was $4,687,904 including interest calculated through February 11, 2004.

In rendering its judgment, the Court has the discretion under applicable law to require defendants to pay all or a portion of the plaintiff's attorneys' fees incurred in bringing this lawsuit. The Company did not have an estimate of such fees as of July 31, 2004. No provision has been accrued for these costs as of the balance sheet date.

In addition, the Company also entered into an agreement with a Company's former employee for a litigation settlement of approximately $70,000, which was included in the reserve for litigation (see Note 6).

NOTE 6- Liabilities Subject to Compromise

Liabilities subject to compromise refers to liabilities that will be accounted for under a plan of reorganization, including claims incurred prior to the petition date. These amounts result from known or potential claims to be resolved through the Chapter 11 process and such claims remain subject to future adjustments. Adjustments may result from, among other things, negotiations, actions of the Bankruptcy Court, rejection of executory contracts and unexpired leases, the determination as to the value of any collateral securing claims, proofs of claim or other events. Settlement of these amounts will be established through the plan of reorganization.

At July 31, 2004, the Company had liabilities subject to compromise consisting of the following:

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	Amount
Accounts payable and accrued expenses	$ 919,683
Due to parent	759,101
Due to others	120,832
Due to group companies	75,386
Due to nongroup companies	2,412
Reserve for litigation	4,757,904
Total	$ 6,635,318

NOTE 7- Commitments and Contingencies

Lease Commitments

The Company has entered into operating leases for office and apartment facilities. The future minimum lease payments under such leases are as follows:

Year Ending July 31,	Amount
2005	$ 368,858
2006	126,283
Total	$ 495,141

Certain operating leases contain escalation clauses with respect to real estate taxes and related operating costs. Rent expense, inclusive of operating expenses, under operating leases for office facilities amounted to $28,678 and $198,950 for the month ended July 31, 2004 and for the period from February 12, 2004 to July 31, 2004, respectively. Rent expense, net of rental receipts form subtenants and inclusive of operating expenses, under operating leases for model and corporate apartments amounted to $11,825 and $41,811 for the month ended July 31, 2004 and for the period from February 12, 2004 to July 31, 2004, respectively. Renewal options exist with respect to several operating leases.

The Company has entered into several operating leases for office equipment. The future minimum lease payments under such leases are as follows:

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Year Ending July 31,	Amount
2005	$ 11,216
2006	2,937
Total	$ 14,153

Rent expense under operating leases for equipment amounted to $2,754 and $20,351 for the month ended July 31, 2004 and for the period from February 12, 2004 to July 31, 2004, respectively.

Guarantees

Effective July 30, 1999, as amended on November 30, 2002, the Company is a guarantor for Elite Illinois on bank notes payable up to a maximum amount of $250,000. The guarantor guarantees to the bank, as the primary obligor, full and prompt payment of the notes payable when due, which is upon demand. The aggregate balance of the notes payable at July 31, 2004 was $175,000. Substantially all of Elite Illinois's assets are pledged as collateral under the notes payable.

Profit Sharing Plan

On April 30, 1989, the Board of Directors of Elite New York established an employee profit sharing plan for the benefit of all permanent employees of the Company. Under this plan, Elite New York, at the discretion of the Board of Directors, may make contributions to the plan provided that the total contribution in any fiscal year does not exceed 15% of the salaries and wages paid or accrued. There were no contributions made to the plan by the Company for the period from February 12, 2004 to July 31, 2004.

On January 1, 1998, the Company established a section 401K plan for the benefit of all permanent employees of the Company. Employees are eligible to voluntarily participate in the plan after the completion of one year of service and will be fully vested upon completing six years of service.

Litigation

The Company records liabilities for legal claims against the Company in accordance with generally accepted accounting principles. These amounts are recorded based on our assessments of the likelihood of their eventual settlements. The amounts of these liabilities could increase or decrease in the near term, based on revisions to estimates relating to the various claims. In addition, as a result of the bankruptcy filing, as of the petition date, virtually all pending litigation is stayed, and absent further order of the Bankruptcy Court, no party, subject to certain exceptions, may take any action, again subject to certain exceptions,

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to recover on pre-petition claims against the Company. Accordingly, the Company has classified certain of these liabilities as liabilities subject to compromise.

The Company is also involved in several class action and anti-trust litigations brought against the Company and other defendants in the United States of America. The Company believes it has meritorious defenses in these litigations but is unable to determine the ultimate outcome of the litigations; accordingly, the Company has not recorded any litigation reserves for these matters in the accompanying financial statements.

Note 8- Dividend Income

For the month ended July 31, 2004 and for the period from February 12, 2004 to July 31, 2004, the Company received dividend income of $43 and $83 from shares held in Federated Department Store ("Federated"). The value of the securities, which were received in connection with Federated's bankruptcy plan of reorganization, was not recorded in the accompanying financial statements since it arose from the recovery of a bad debt and the company had no plans to dispose of the shares. Any disposition of the shares would require the approval of the bankruptcy court.

Note 9- Fair Value of Financial Instruments

The carrying value of the cash and cash equivalents and DIP financing approximates fair value because of the short maturity of those instruments.

Note 10- Insurance Policies

The insurance policies were fully paid for the current period, and specifically the amounts for workers compensation and disability insurance have been paid.

ACCOUNTANTS' REVIEW REPORT ON SUPPLEMENTARY INFORMATION

To the Stockholders and Board of Directors
Elite Model Management Corporation

Our report on our review of the basic financial statements of Elite Model Management Corporation (Debtor-In-Possession) as of July 31, 2004 and for the month then ended and for the period from February 12, 2004 to July 31, 2004 appears on pages 1 and 2. That review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The accompanying supplementary information included in the schedule of net revenues, cost of operations, general and administrative expenses for the month ended July 31, 2004 and for the period from February 12, 2004 to July 31, 2004, and the schedule of federal, state and local taxes collected, received, due or withheld for the month ended July 31, 2004 is presented only for supplementary analysis purposes and has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements. All information included in the schedules is the representation of the management of Elite Model Management Corporation (Debtor-In-Possession). We did not become aware of any material modifications that should be made to this supplementary information.

Tanton and Company LLP
Certified Public Accountants

August 9, 2004

ELITE MODEL MANAGEMENT CORPORATION
(DEBTOR-IN-POSSESSION)

SCHEDULES OF NET REVENUES, COST OF OPERATIONS AND GENERAL AND ADMINISTRATIVE EXPENSES

	Month Ended July 31, 2004	Period from February 12, 2004 to July 31, 2004
NET REVENUES		
Model fees	$ 1,496,414	$ 8,133,738
Client commission/client service charge	245,100	1,299,322
Net proceeds of sales	1,741,514	9,433,060
Model net	(1,293,831)	(6,960,804)
Gross operating margin	447,683	2,472,256
Commission to mother agency	(39,009)	(176,302)
Net operating margin	408,674	2,295,954
Miscellaneous income	-	458
Other operating income	-	458
NET REVENUES	$ 408,674	$ 2,296,412
COST OF OPERATIONS		
Models' apartment	$ 11,825	$ 41,811
Models' write-off	100,162	152,138
Career development and training on models	1,067	11,352
Promotion and advertising	356	26,161
Scouting	2,997	10,169
TOTAL COST OF OPERATIONS	$ 116,407	$ 241,631
GENERAL AND ADMINISTRATIVE EXPENSES		
Management expenses and benefits	$ 27,012	$ 133,407
Office salaries and benefits	215,132	1,293,879
Travel	14,985	71,215
Meals and entertainment	12,529	59,920
Telephone	7,259	45,986
Messengers	1,034	5,972
Office rent and operating expenses	28,678	198,950
Office supplies and expenses	7,620	46,169
Repairs and maintenance	15,657	71,537
Administration, consulting and lawyers	500	12,365
Equipment rental	2,754	20,351
Bank charges	630	5,751
Miscellaneous	7,007	7,007
Client bad debts	17,201	26,038
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	$ 357,998	$ 1,998,547

See accountants' review report on supplementary information

ELITE MODEL MANAGEMENT CORPORATION
(DEBTOR-IN-POSSESSION)

SCHEDULE OF FEDERAL, STATE, AND LOCAL TAXES
COLLECTED, RECEIVED, DUE OR WITHHELD

FOR THE MONTH ENDED JULY 31, 2004

	Amount incurred	Amount paid	Date paid
WAGES AND SALARIES PAID (GROSS)	$ 207,701	$ 207,701	7/2/04, 7/9/04, 7/16/04, 7/23/04 and 7/30/04
EMPLOYEE PAYROLL TAXES WITHHELD			
Federal			
FICA tax	$ 15,814	$ 15,814	7/7/04, 7/14/04, 7/21/04, 7/28/04 and 8/4/04
Federal income tax withheld from employees	35,986	35,986	7/7/04, 7/14/04, 7/21/04, 7/28/04 and 8/4/04
Total federal payroll taxes withheld	51,800	51,800	
State income tax withheld from employees	11,062	11,062	7/7/04, 7/14/04, 7/21/04, 7/28/04 and 8/4/04
City income tax withheld from employees	5,182	5,182	7/7/04, 7/14/04, 7/21/04, 7/28/04 and 8/4/04
TOTAL PAYROLL TAXES WITHHELD	$ 68,044	$ 68,044	
EMPLOYER PAYROLL TAX CONTRIBUTIONS			
Federal			
FICA tax	$ 15,814	$ 15,814	7/7/04, 7/14/04, 7/21/04, 7/28/04 and 8/4/04
FUTA tax	3	3	8/4/04
Total federal employer payroll taxes	15,817	15,817	
State employer payroll tax	29	29	8/4/04
TOTAL EMPLOYER PAYROLL TAXES	$ 15,846	$ 15,846	
GROSS TAXABLE SALES	$ 617		
SALES TAXES COLLECTED	$ 53	$ -	9/20/04 (to be paid)
FEDERAL TAX WITHHELD FROM FOREIGN NON-EMPLOYEE PERSONS	$ 113,249	$ 113,249	7/7/04, 7/14/04, 7/21/04, 7/28/04 and 8/4/04

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